

MT LEGISLATIVE HISTORY

Chapter 579 1981

Bill H (S) 129

Original bill & (hist.) ☒ C

H. Committee on Business Industry

S. Committee on Public Health

Hearing Date(s) APR 11 ☒ C

Hearing Date(s) FEB 6 ☒ C

MAY 25 ☒ C

FEB 20 ☒ C

 ☐ C

 ☐ C

 ☐ C

 ☐ C

Date Out ☐ C

FEB 20 ☒ C

Did this bill originate in an interim committee? ☐ Yes ☐ No

Committee

Report

47TH

LEGISLATIVE SESSION

COMMITTEE ON PUBLIC HEALTH, WELFARE, & SAFETY

SENATE BILL NO.	ENTERED COMM.	DATE CONSIDERED	OUT OF COMM.	DO PASS DATE	DO NOT PASS DATE	DO PASS AS AMEND. DATE	BE CON- CURRED IN DATE	BE CONC. IN AS AMENDED DATE	BE NOT CON- CURRED IN DATE
SB 37	1-5	1-14, 19	1-19	1-19					
SB 65	1-6	PICKED UP	BY JEAN FALLAN	ON 1-8					
SB 73	1-8	1-14, 19	1-19			1-19			
SB 127	1-15	1-21, 26	1-26			1-26			
SB 129	1-15	2-6, 20	2-20			2-20			
SB 137	1-15	2-4, 11 1-28,	2-11			2-11			
SB 193	1-20	1-26, 2-20	2-20	2-20					
SB 195	1-20	1-26, 2-20	2-20			2-20			
SB 212	1-21	1-30, 2-4	2-4			2-4			
SB 228	1-22	1-30, 2-4	2-4			2-4			
SB 230	1-23	1-28, 2-2	2-2	2-2					
SB 241	1-23	2-2, 4	2-4	2-4					
SB 251	1-26	2-2, 9	2-9		2-9				
SB 310	1-29	2-4	2-4			2-4			
SB 314	1-29	2-6, 20	2-20	2-20					
SB 332	1-30	2-6, 20	2-20		2-20				

Use a separate sheet for Senate, House Bills, and Resolutions.

MINUTES OF THE MEETING
PUBLIC HEALTH, WELFARE & SAFETY COMMITTEE

February 6, 1981

The meeting of the Public Health, Welfare, and Safety Committee was called to order by Chairman Tom Hager on Friday, February 6, 1981 at 1:00 p. m. in Room 410 of the State Capitol Building.

ROLL CALL: All members were present with the exception of Senator Johnson. Kathleen Harrington, Staff Researcher, was also present.

Many visitors were also in attendance. (See Attachment.)

CONSIDERATION OF SENATE BILL 129: Senator Jean Turnage, of Senate District 13, Chief Sponsor of SB 129, gave a brief resume. This bill is an act regulating conversions of group life insurance and group disability insurance and providing for continuation of group coverage under certain circumstances; amending sections 33-20-1209, and 33-20-1210, MCA, and providing for an effective date.

If an individual's life insurance would be terminated because of termination of employment or group membership, this bill would allow for the right of conversion of the policy. The insurer must give written notice of the right of conversion and pending termination of coverage. This bill also includes term insurance in the conversion options and requires that benefits be equal to those under the group coverage. The bill eliminates consideration of other life insurance held by the insured when a conversion policy is determined. The premium must be the customary rate charged other members of the group. If the employer consents, the insured has the option of staying under the group policy unless he is covered under another group policy at his new place of employment. If the group life insurance is terminated then the insured if covered for one year rather than five, is entitled to be covered by a new policy that is the same amount as the previous policy. If the group is disbanded, then the insured is entitled to have issued an individual policy of disability insurance, and group hospital or medical service plan without evidence of insurability if application is made within 31 days after written notice. The benefits and premium rates must remain the same. The individual will also enjoy these rights if for continuation of group hospital or medical services contract if he terminates or reduces his work schedule.

Frank Stock from First Security Bank in Polson, stood in support of SB 129 because he feels that it is fair as it extends coverage

to people who must terminate employment due to health reasons. The insurance company accepted the premiums to cover a disaster and should, therefore, pay for the disaster when it occurs.

- Mike Anderson, himself a Senator and also a life underwriter, stated that if SB 129 does pass it will cause group insurance to increase in cost.

With no further proponents, Senator Hager called on the opponents.

Jo Driscoll from the Insurance Commissioner's Office, stated that SB 129 would do away with the reason for group insurance. Group insurance is for the benefit of the employees, 75% of the employees must participate. Group rates vary with each company. Group insurance was intended to cover members during employment at a low cost. Mrs. Driscoll stated that in the past 15 years her office has received no complaints regarding this problem. Mrs. Driscoll stated that it is the responsibility of the employee to read the fine print on the insurance contract. She stated that this bill is not in the best interest of the consumer. There is no definition of "eligible employee".

Les Loble II, representing the American Council of Life Insurance, stood in opposition to the bill. He stated that group insurance was meant to be for the employee while they were working only. Someone moving from job to job can buy lots of insurance under this bill. Montana must have laws that the insurance company can live with or else they will not come into Montana. At the present time an employee must have been covered for at least five years with the group coverage to be eligible for an individual policy subject to the same conditions and limitations. Life insurance shall not exceed \$2,000 if all the requirements are met.

Alan Cain, representing Blue Shield and also Montana Physicians' Service, stood in opposition to the bill. Mr. Cain addressed only the health aspects. Mr. Cain stated that M.P.S. has 1,800 individual groups covered at the present time. To be eligible for health insurance the individual must work a minimum of 20 hours per week. This would bring about individual coverage at group rates.

Elmer Hausken, representing the Montana Association of Life Underwriters stated that he supports the testimony of Mr. Cain and Mr. Loble. SB 129 would bring about a big problem in marketing group insurance. Mr. Hausken stated SB 129 "smacks of Kennedy approach". He then urged the committee to use caution in considering this bill.

February 6, 1981

With no further opponents Senator Turnage closed. He stated that it is time the people got a break. Senator Turnage stated that all he wants is fairness to the people. Industry has been invading the profits rightfully belonging to the people. He then stated that he is willing to work with others to improve the bill and make it workable for all concerned.

The meeting was then opened to a question and answer period from the committee.

Senator Himsel asked if insurance premiums were tax deductible to the employee. Senator Anderson stated "yes, this is the case".

CONSIDERATION OF SENATE BILL 332: Senator Mike Anderson of Senate District 40, Chief Sponsor of SB 332, gave a brief resume. This bill is an act to require the opportunity in certain circumstances for an individual to continue his participation in a group disability insurance plan if he leaves the group, to require the opportunity in certain circumstances for an individual to convert his group insurance to an individual policy if his group insurance coverage is terminated; and establishing standards and conditions for continuation of coverage and conversion; and providing for a delayed effective date.

This bill provides that an employee may continue hospital, surgical, and major medical coverage when he terminates his employment if he has been covered by the policy continuously for three months and he is not covered by medicare or another insurance coverage. The employer must request this coverage within 10 days of either his termination of employment or a notice of the right to request continuation of coverage. In order to obtain continuation of the policy the terminated employee must pay the required contribution in advance, and submit it with a letter requesting continuation within 31 days of the expiration date of the policy. The continuation privilege will terminate 6 months after the original expiration date of the policy, or earlier if the group policy is terminated or if payment is not made. At the end of six months the insured will be under a converted policy. The converted insurance premium will be based on the age and class of risk for each person covered. The insurer may be denied coverage of a converted policy if the insured is 1) covered by other policy and thus would be over insured; 2) has misrepresented the facts when applying; 3) is covered by medicare or 4) other reasons approved by the commissioner of insurance. Benefits for the converted will be no greater than the group policy. Pre existing conditions will be covered but benefits may be reduced by the amount of benefits payable under the group policy.

ROLL CALL

PUBLIC HEALTH, WELFARE & SAFETY COMMITTEE

47th LEGISLATIVE SESSION - - 1981

Date Feb. 6

NAME	PRESENT	ABSENT	EXCUSED
Tom Hager	✓		
Matt Hims1	✓		
S. A. Olson	✓		
Jan Johnson		✓	
Dr. Bill Norman	✓		
Harry K. Berg	✓		
Michael Halligan	✓		

Each day attach to minutes.

DATE _____

COMMITTEE ON _____

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppo
Don H. Good	Amer. Council of Life Insurers	129		—
Edmund H. Hatcher	Mount Carmel Life Ins.	129 129/332		✓
William		129/332		
Dennis Mahan		332/129		✓
Tony Lunnar	Blue Cross	332/129		✓
Nana M. Shield	Blue Cross	332/129		—
Cordy Hicken	Blue Cross	332/129		—
Tom J. McElaney	U. Shield	"		
Chas. Bigler	Blue Cross	"		✓
Josephine Driscoll	Dr. Alpt.	129		✓
Driscoll	" "	332+314	✓	
Bonnie Nelson	self	129	✓	
Louise M. Stock		129	✓	
Eula Mae Turnage		129	✓	
Ed Sheehy, Jr.	Mt. Assoc. of Life Insurers	129		✓
Walter E. Eide	MAIA HACA HCA	129	Amend.	
C. L. Fischer	Blue Cross	129	Amend.	
Vigil E. Miller	Blue Cross	129	"	
W. J. Ba	Blue Cross	129	"	
Ing. Driscoll	Labors Union	129	✓	
J. M. Ba	Blue Cross	129/332		✓
Robert H. Board	Am. Insurance Co.	129		
J. C. G. M. Kelly	Blue Cross	129	Amend.	
John H. H. H. H.	H. H. H.	129	✓	
Bill Erickson	Transystems Inc.	332		✓

NAME: Lois Ann DATE: 2-2-81

ADDRESS: *Box 514, Haverhill*

PHONE: 442-8070

REPRESENTING WHOM? Mont. Anti-Opium Assoc. - Mont. Cont. Assoc.

APPEARING ON WHICH PROPOSAL: 5E 129

DO YOU: SUPPORT? AMEND? ~~OPPOSE?~~

COMMENTS:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

NAME: Josephine Mitchell DATE: 2-6-81

ADDRESS: Wichita River - House

PHONE: 449-2996

REPRESENTING WHC #? St of Montana Inc. Dept

APPEARING ON WHICH PROPOSAL: 129-314-332

DO YOU: SUPPORT? 314 AMEND? 7 OPPOSE? 129
v 332

COMMENTS: _____

NAME: Frank S Stock DATE: Feb 6, 1981

ADDRESS: PO Box 1001 Palau, Montang

PHONE: Work 883-5363 Home 883-2642

REPRESENTING WHOM? My self

APPEARING ON WHICH PROPOSAL: SB 129

DO YOU: SUPPORT? X AMEND? OPPOSE?

COMMENTS: I support SB 129 because
it is fair and because it attempt
coverage to people who must
terminate employment due to
health reasons. The insurance
company accepted the premium to
cover a disaster and should pay
for the disaster when it occurs

NAME: Dian F. Cain DATE: 2/6/81

ADDRESS: 404 Fuller Hlrs A

PHONE: 442-5450

REPRESENTING WHOM: BLUE SHIELD

APPEARING ON WHICH PROPOSAL: SB 314, 332, 129

DO YOU: SUPPORT 314 AMEND? 332 OPPOSE? X 129

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

NAME:

Edward Hansen

DATE:

2-6-81

ADDRESS:

111 90 1st Chance Bldg, Helena

PHONE:

443 6300

REPRESENTING WHOM?

MONTANA ASSN OF LIFE UNDERWRITERS

APPEARING ON WHICH PROPOSAL:

129 -

DO YOU:

SUPPORT?

AMEND?

✓

OPPOSE?

✓

COMMENTS:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

NAME:

DATE :

ADDRESS:

PHONE:

REPRESENTING WHO?

APPEARING ON WHICH PROPOSAL:

DO YOU:

SUPPORT?

AMEND?

OPPOSE?

COMMENTS:

STANDING COMMITTEE REPORT

February 20, 19 81

MR. PRESIDENT:

We, your committee on PUBLIC HEALTH, WELFARE AND SAFETY

having had under consideration SENATE Bill No. 129

Respectfully report as follows: That SENATE Bill No. 129,
introduced bill, be amended as follows:

1. Page 1, line 23.

Strike: "tendered"

Insert: "paid"

2. Page 1, line 24.

Strike: "written notice"

Insert: "such termination"

3. Page 1, line 25 through page 2, line 1.

Strike: line 25, page 1, in its entirety and line 1, page 2, through
"coverage"

4. Page 2, line 5.

Following: "insurance,"

Insert: "if the group policy so provides,"

5. Page 2, line 6.

Following: "for"

XXXXXX

Insert: "at the age and for the amount applied for"

(continued)

Chairman.

ROLL CALL

PUBLIC HEALTH, WELFARE & SAFETY COMMITTEE

47th LEGISLATIVE SESSION - - 1981

Date Feb 20

[illegible]

Each day attach to minutes.

PUBLIC HEALTH
PAGE FOUR
FEBRUARY 20, 1981

DISPOSITION OF SENATE BILL 129: This bill is an act regulating conversions of group life insurance and group disability insurance and providing for continuation of group coverage under certain circumstances and providing an effective date.

The Committee then went through the gray copy of the bill.

Senator Berg stated that he was concerned that the Committee did not have enough time to study the amendments to the bill.

A motion was made, therefore, be Senator Berg that SB 129 DO NOT PASS.

Senator Johnson stated that she felt that the bill definitely has some merit and would therefore, make a substitute motion that SB 129 receive a DO PASS recommendation from the Committee. All senators voted yes except Senators Berg and Olson who voted "no" because they felt that it was unfair to pass a bill which they have not had time enough to study.

DISPOSITION OF Senate Bill 314: This bill is an act to allow family members the right to continue individual family disability insurance coverage upon the death of the named insured or the divorce, separation or annulment of marriage of the spouse from the named insured; and to establish conditions and requirements of continued coverage.

A motion was made by Senator Johnson that SB 314 DO PASS. Motion carried unanimously.

DISPOSITION OF SENATE BILL 193: This bill is an act to reestablish the Board of Radiologic Technologists under the Department of Professional and Occupational Licensing, and providing a new termination date.

Senator Johnson stated that she felt it better to have the board under someone besides the Department of Health.

A motion was made by Senator Himsl that SB 193 receive a DO NOT PASS recommendation from the Committee. He stated that he made his judgement from the legislative audit report. Motion failed. Those voting yes were: Senators Himsl, Olson, and Berg. Senators Hager, Johnson, Norman, and Halligan voted "no".

A motion was then made by Senator Johnson that SB 193 DO PASS. Motion carried. Those senators voting "yes" were Senators Hager, Johnson, Norman, and Halligan. Those senators who voted "no" were: Senators Himsl, Olson and Berg.

DISPOSITION OF SENATE BILL 425: This bill is an act to abolish the Board of Radiologic Technologists and transfer licensing and regulation of the radiologic technologists to the department of Health.

February 20

31

16. Page 4, line 11.

Following: "and"

Insert: ", less the amount of any life insurance for which he is or becomes eligible under any group policy issued or reinstated by the same or another insurer with 31 days after such termination; and"

17. Page 4, line 12.

Following: "\$2,500"

Insert: "\$10,000"

18. Page 4, line 13 through Page 5, line 8.

Strike: section 3 in its entirety

Renumber: All subsequent sections

19. Page 5, line 11.

Following: "issued"

Insert: "or renewed after October 1, 1981"

20. Page 5, line 11.

Following: "may,"

Insert: "for a period of one year,"

21. Page 5, lines 13 and 14.

Following: "policy" on line 13

Strike: "after terminating his qualifying employment or"

22. Page 5, line 19 through page 6, line 17.

Strike: Section 5 in its entirety

Insert: "NEW SECTION. Section 4. Conversion on termination of eligibility. (1) A group disability insurance policy issued or renewed after October 1, 1981, shall contain a provision that if the insurance or any portion of it on a person, his dependents, or family members covered under the policy ceases because of termination of his employment or of his membership in the class or classes eligible for coverage under the policy, or as a result of his employer discontinuing his business, such person shall, provided he had been insured for a period of three months, be entitled to have issued to him by the insurer, without evidence of insurability, an individual policy of hospital or medical service insurance on himself, his dependents, or family members, provided application for the individual policy shall be made and the first premium tendered to the insurer within 31 days after the termination of group coverage.

(2) The individual policy, at the option of the insured, shall be on any of the forms then customarily issued by the insurer to individual policyholders with the exception of those policies whose eligibility is determined by affiliation other than by employment with a common entity.

(3) The premium on the individual policy shall be at the insurer's then customary rate applicable to the coverage of the individual policy."

(continued)

23. Page 6, line 20.
Following: "issued"
Insert: "or renewed"

24. Page 6, line 21.
Following: "after"
Strike: "July"
Insert: "October"

25. Page 6, line 21.
Following: "may,"
Insert: "for a period of one year"

26. Page 6, line 23.
Following: "contract"
Strike: remainder of line 23

27. Page 7, line 5.
Following: "contract"
Strike: "in effect"
Insert: "issued or renewed"

28. Page 7, line 6.
Strike: "July"
Insert: "October"

29. Page 7, line 10.
Following: "policy"
Insert: "or as a result of an employer discontinuing his business"

30. Page 7, line 11.
Following: "shall"
Insert: ", provided he has been insured for a period of 3 months,"

31. Page 7, lines 16, 17, and 18.
Following: "after" on line 16
Strike: all language through "pending" on line 18
Insert: "the"

32. Page 7, lines 19 and 20.
Following: "of" on line 19
Strike: "such person"
Insert: "the insured"

33. Page 7, line 21.
Following: "insurer"
Insert: "to individual policyholders with the exception of those whose eligibility is determined by their affiliation other than by employment with a particular entity"

(continued)

34. Page 7, line 22.

Following: "coverage"

Insert: "such individual policies"

35. Page 7, lines 22, 23, and 24.

Strike: subsection (2) in its entirety

Renumber: subsequent subsection

36. Page 8, lines 2 and 3.

Following: "to"

Strike: "the other members of the group and"

37. Page 8, line 11.

Following: "3"

Insert: ", "

38. Page 8, line 12.

Strike: "and"

Following: "4"

Insert: ", and 5"

39. Page 8, line 14.

Following: "3"

Strike: "and"

Insert: ", "

Following: "4"

Insert: ", and 5"

40. Page 3, line 15.

Following: "Sections"

Strike: "5 through"

Insert: "6 and"

41. Page 8, line 18.

Following: "of"

Strike: "Title 33, chapter 22, and of"

42. Page 8, line 18.

Following: "sections"

Strike: "5 through"

Insert: "6 and"

And, as so amended,

DO PASS

HOUSE BUSINESS & INDUSTRY COMMITTEE

47th Legislature

Bill No.	Subject Matter	Date In	Sponsor	Hearing Date	Committee Action	Date Out
SB 242	To provide that a farm mutual insurer owned or controlled by a nonprofit corporation may cancel or refuse to renew a casualty or liability policy for nonpayment of dues if payment of dues to the nonprofit corporation is a condition to obtaining or continuing the insurance; amend 33-4-510.	2/19	Ochsner	3/10	BE CONCURRED IN	3/25/81
SB 338	To amend 16-4-105 to include restaurants within the category of persons or establishments that may be licensed to sell beer or table wine, or both, in original packages for off-premises consumption.	2/21	Keating	3/4	TABLED 3/4 BE CONCURRED IN	3/6/81
SB 352	To insure availability of basic levels of benefits under disability insurance policies & contracts for care and treatment of mental illness; amend 33-22-701 thru 33-22-704.	2/19	Blaylock	3/10	BE CONCURRED IN	3/12
SB 129	Regulating conversions of group life ins. and group disability ins. & providing for continuation of group coverage under certain circumstances; amend; effective date.	3/2	Turnage Norman	3/11	BE CONCURRED IN AS AMENDED	3/25/81
SB 247	Amending 32-1-362 to allow state banks to branch if national banks are allowed that privilege.	3/2	Regan Himsel	3/12	BE CONCURRED IN	3/12

SUMMARY OF SENATE BILL 335 -

March 11, 1981

Introduced by Senator Hazelbaker, by request of the Insurance Department is entitled the "Nationwide Inland Marine Definition Act". The bill enacts new definitions of marine, inland marine, and transportation insurance and describes the risks and coverages that may be insured by each.

SENATE BILL 370 -

Introduced by Senators Anderson and Brown, regulates the sale of hamburger and ground beef, which are defined as ground fresh or frozen beef, with or without on addition of suet to which no water, binder or extenders are added and which are divided into three grades:

"Economy" which can have no more fat content than allowed by federal standards.

"Regular" which can have no more that 24% fat.

"Extra lean" which can have no more than 18% fat.

Stricken from the law is the authorization for "imitation hamburger."

"Beef patty mix" is defined as hamburger or ground beef to which has been added binders or extenders. No restaurant or store may call "beef patty mix" hamburger or ground beef and the ingredients of beef patty mix must be listed on the menu or label.

SENATE BILL 129 -

Introduced by Senators Turnage and Norman, regulates conversions of group life and group disability insurance and provides for continuation of group coverage. This bill guarantees a person the right to continue his group insurance coverage, without providing evidence of insurability, upon termination of employment.

HOUSE BUSINESS AND INDUSTRY COMMITTEE

Rep. W. J. Fabrega, Chairman, called the meeting to order at 8:00 a.m., in room 129, Capitol Building, Helena, on March 11, 1981. All members were present except Rep. Darryl Meyer who was excused. Bills to be heard were Senate Bills 314, 334, 335, 370, 129.

SENATE BILL 129 -

SENATOR JEAN TURNAGE, District 13, Lake County, co-sponsor of SB 129 explained this bill has to do with the coverage of insurance for life, disability and hospital. It has been severely amended from introduction in the Senate. Most all the amendments were discussed and agreed upon with insurance industry representatives and himself. However, there is one they don't agree upon. In a group policy almost without exception, you will find language such as "the term person as used in the policy means any employee employed and compensated under a group policy who usually works full time at his customary place of employment at least 20 hours a week". You need your insurance if you are stricken with a serious sickness or accident, and you won't be able to work 20 hours a week.

The employee feels comfortable because the policy is a \$500,000 major medical benefit, but he hasn't read the policy. He had better not be sick enough to not be able to work 20 hours a week.

Section 1 deals with termination of a life policy. Now the policy can be converted on determination of eligibility and there are some conversion rights. Previously, the law allowed conversion without disability and now that is proposed being taken out of the code. Page 2 speaks in terms including but not limited to term. Now we are trying to allow term because if you are afflicted with a terminal illness, you should have some ability to convert. That is a plus in the bill that the law didn't allow.

The next committee amendments provide that the individual policy is at the option of the insured, but a life policy may not be in excess of what it had been less any other insurance the individual was covered under within 31 days after such termination. What you are going to pay for that converted policy will be greater than what we had hoped, but that on conversion the insurer should have the right to consider the facts of the risk involved and they can increase the premium to meet the risk. The important part of the life insurance section is subsection (2). He will be covered even if he doesn't work 20 hours per week, but coverage will cease if he becomes eligible under another policy.

Under conversion rights on termination the old law said the amount of insurance was subject to the same conditions and limitations except that the group policy may provide that such individual policy may not exceed the smaller of the person's life insurance protection ceasing because of termination less the amount of any life insurance for which he is or becomes eligible within 31 days after such termination or \$10,000. The old law said you had to be insured five years - they compromised for three years before termination to be eligible to convert to an individual life policy or become insured under another group plan.

3/11/81

Page 2

Amendments are practically the same now - the rest of the bill tracks pretty much as does the life section. It relates to similar coverage under group hospital and medical plans. Conversion on termination of eligibility - after October 1, 1981, a group disability insurance policy shall contain a provision that insurance ceasing because of several reasons, providing the insured had been covered for 3 months, then the insured is entitled to have such insurance issued to him on an individual policy if he so requests within 31 days after the termination of group coverage.

ALAN CAIN, Blue Shield, Helena, supports SB 129 saying the Senate had been good enough to accommodate them. He called to the committee's attention some extra language on page 9, line 13, after the word 'ENTITY' there should be a period and that language should be stricken.

JO DRISCOLL, Chief Deputy of the Insurance Department, said they are in support of Senator Turnage's present bill, however, they feel there are a couple of essential provisions that were not included in this bill that she would like to propose be added to SB 129. Although reference is made to those who do not work enough hours, there wasn't enough provision to cover those who terminate and aren't covered for awhile. She offered amendments providing that an employee would remain covered under both for life policies and disability policies. AMENDMENT is attached.

C. RAY FISCHER, Blue Cross, Great Falls, supports Senator Turnage's bill as it was amended by himself and other people and asks support for it as it now stands.

ED SHEEHY, Jr., Montana Association of Life Underwriters, supported SB 129 in the form in which Senator Turnage presented it to this committee and has no objection to the amendments proposed by Mrs. Driscoll.

FRANK STOCK, Polson, supports SB 129. Testimony attached EXHIBIT A. BILL NELSON, Helena, supports SB 129. Testimony attached EXHIBIT B.

QUESTIONS -

Rep. Robbins asked Senator Turnage if an employer would have to continue to pay the premium for an employee who was disabled. Usually an employer will allow an employee to stay on the group plan, but he will have to pay his own premium.

Rep. Kitselman mentioned that rates for a group plan are based on a 3-5 year cost experience, and allowing a disabled employee to remain on the plan might raise the employers premium rates; however, the employer wouldn't have to agree to do this.

Rep. Wallin asked if a retiring senior employer can get his life insurance converted? Senator Turnage said the life limitation is pretty severe since it is only \$10,000. It should be the same amount as before, but he wasn't suggesting an amendment. They will send you some insurance, but it will cost a great deal at the older age.

3/11/81

Page 3

Senator Turnage closed saying he hadn't really studied the proposed amendments that were suggested by the Department of Insurance. If they don't wreck the intent of the bill but improve it and don't hurt the people, he would like to look at them and will study them.

SENATE BILL 335 -

SENATOR HAZELBAKER, District 31, Beaverhead County, sponsored SB 335 at the request of the state Insurance Department. The National Council of State Insurance Commissioners thought it should be mandatory that they all work in concert for nationwide definitions, and for states to conform, so this bill has definitions of different kinds of insurance.

He explained the beginning of marine insurance was instigated by the loss of ships, so the owners of ships got together and said they would pool their money and pay any balance for loss of cargoes and ships, so Lloyd's of London was started. This was such a good idea that it caught on and inland insurance was started. They called it "inland marine" insurance.

JO DRISCOLL, Insurance Department Deputy, said this type of coverage affects many, many states, and it is very beneficial that all the definitions are alike in the states and this is primarily what SB 335 is all about.

OPPONENTS: None.

QUESTIONS: None.

Senator Hazelbaker closed saying the bill explains itself.

SENATE BILL 314 -

SENATOR MIKE ANDERSON, District 40, Gallatin, sponsor of SB 314, said this bill is an act to allow family members to continue insurance as basically the title covers. It requires the industry in the event that one spouse or another buys coverage, and this may go on for several years, that if the primary insured dies, divorces, separates, or the marriage is annulled, the dependent covered then has developed some very serious illness which would result in him not being able to get other insurance, SB 314 provisions would make the first insurance convertible to the dependent so there would be coverage.

JO DRISCOLL, Chief Deputy Insurance Commissioner, explained SB 314 is to take care of a situation where a family is split, and oftentimes the spouse has to get other insurance. This would give them time to get another insurance policy. She feels it is a good piece of legislation and asked for the committee's support.

RAY FISCHER, Blue Cross, said even though they do provide this privilege, they do support HB 314.

ALLEN CAIN, Blue Shield, said their company already does what this bill requires others to do.

Jo Driscoll

Amendments to SB 129/third reading

1. Page 5, line 19.
Following: "termination."
Insert: "(1)"

2. Page 6, line 4.
Following: line 3
Insert: "(2) A group policy delivered or issued for delivery in this state which insures employees or members for hospital, surgical, or major medical insurance on an expense incurred or service basis, other than for specific diseases or for accidental injuries only, shall provide that employees or members whose insurance under the group policy would otherwise terminate because of termination of employment or membership are entitled to continue the hospital, surgical, and major medical insurance coverage of that group policy for themselves and their eligible dependents, subject to all of the group policy's terms and conditions applicable to those forms of insurance and subject to the following conditions:

(a) Continuation shall be available only to an employee or member who has been continuously insured under the group policy (and for similar benefits under any group policy which it replaced) during the entire 3-month period ending with such termination.

(b) Continuation shall not be available for a person who is or could be:

- (i) covered by Medicare; or
- (ii) covered by any other insured or uninsured arrangement which provides hospital, surgical, or medical coverage for individuals in a group.

(3) An employee or member who wishes continuation of coverage must request such continuation in writing within the 31-day period following the later of:

- (a) the date of such termination, or
- (b) the date the employee is given notice of the right of continuation by either his employer or the group policyholder, but the employee or member must elect continuation within 31 days of the date of termination.

(4) An employee or member electing continuation must pay to the group policyholder or his employer, on a monthly basis in advance, the amount of contribution

required by the policyholder or employer, but not more than the group rate for the insurance being continued under the group policy on the due date of each payment. The employee's or member's written election of continuation, together with the first contribution required to establish contributions on a monthly basis in advance, must be given to the policyholder or employer within 31 days of the date the employee's or member's insurance would otherwise terminate.

(5) Continuation of insurance under the group policy for any person shall terminate when he fails to satisfy the conditions of subsection (2)(b) or, if earlier, at the first to occur of the following:

(a) the date 6 months after the date the employee's or member's insurance under the policy would otherwise have terminated because of termination of employment or membership;

(b) If the employee or member fails to make timely payment of a required contribution, the end of the period for which contributions were made; or

(c) the date on which the group policy is terminated or, in the case of an employee, the date his employer terminates participation under the group policy.

(6) If subsection (5)(c) applies and the coverage ceasing by reason of such termination is replaced by similar coverage under another group policy, the following shall apply:

(a) The employee or member shall have the right to become covered under that other group policy for the balance of the period that he would have remained covered under the prior group policy in accordance with subsection (5) had a termination described in subsection (5)(c) not occurred.

(b) The minimum level of benefits to be provided by the other group policy shall be the applicable level of benefits of the prior group policy reduced by any benefits payable under that prior group policy.

(c) The prior group policy shall continue to provide benefits to the extent of its accrued liabilities and extensions of benefits as if the replacement had not occurred.

(7) A notification of the continuation privilege must be included in each certificate of coverage."

3. Page 8, line 2

Following: line 1

Insert: "NEW SECTION. Section 5. Other health coverage -- limitations on issuance of converted policy.⁽¹⁾ The insurer is not required to issue a converted policy covering any person if such person is or could be covered by medicare. Furthermore, the insurer is not required to issue a converted policy covering any person if:

(1) (a) such person is covered for similar benefits by another individual policy;

(b) such person is or could be covered for similar benefits under any arrangement of coverage for individuals in a group, whether insured or uninsured; or

(c) similar benefits are provided for or available to such person, by reason of any state or federal law; and

(2) the benefits under sources of the kind referred to in subsection (1)(a) for such person or benefits provided or available under sources of the kind referred to in subsections (1)(b) and (1)(c) for such person, together with the converted policy's benefits would result in a duplication of benefits.

NEW SECTION. Section 6. Benefit levels -- converted policy need be no greater than group policy. An insurer is not required to issue a converted policy providing benefits in excess of the hospital, surgical, or major medical insurance under the group policy from which conversion is made.

NEW SECTION. Section 7. Pre-existing conditions -- total benefits payable first policy year. The converted policy may not exclude, as a pre-existing condition, any condition covered by the group policy.

However, the converted policy may provide for a reduction of its hospital, surgical, or medical benefits by the amount of any such benefits payable under the group policy after the individual's insurance terminates thereunder. The converted policy may also provide that during the first policy year, the benefits payable under the converted policy, together with the benefits payable under the group policy, may not exceed those that would have been payable had the individual's insurance under the group policy remained in force.

NEW SECTION. Section 8. Continued group insurance upon retirement -- conversion election. If coverage would be continued under the group policy on an employee or member following his retirement prior to the time he is or could be covered by medicare, the employee or member may elect, in lieu of such continuation of group insurance, to have the same conversion rights as would apply had that insurance terminated at retirement.

NEW SECTION. Section 9. Medicare eligibility -- benefit reduction. The converted policy may provide for reduction or termination of coverage of any person upon his eligibility for coverage under medicare or under any other state or federal law providing for benefits similar to those provided by the converted policy.

NEW SECTION. Section 10. Insured's family -- conversion entitlement. Subject to the conditions set forth in this section, the conversion privilege is also

available:

(1) to the surviving spouse, if any, at the death of the employee or member, with respect to the spouse and such children whose coverage under the group policy terminates by reason of such death, otherwise to each surviving child whose coverage under the group policy terminates by reason of such death, or if the group policy provides for continuation of dependents coverage following the employee's or member's death, at the end of such continuation;

(2) to the spouse of the employee or member upon termination of coverage of the spouse, by reason of ceasing to be a qualified family member under the group policy, while the employee or member remains insured under the group policy, including such children whose coverage under the group policy terminates at the same time; or

(3) to a child solely with respect to himself upon termination of his coverage by reason of ceasing to be a qualified family member under the group policy, if a conversion privilege is not otherwise provided above with respect to such termination.

4. Page 8, line 2.

Strike: "Section 5"

Insert: "Section 11"

5. Page 8, line 3.

Following: "termination."

Insert: "(1)"

6. Page 8, line 12.

Following: line 12

Insert: "(2) A group hospital or medical service plan contract delivered or issued for delivery in this state which insures employees or members for hospital, surgical, or major medical insurance on an expense incurred or service basis, other than for specific diseases or for accidental injuries only, shall provide that employees or members whose insurance under the group contract would otherwise terminate because of termination of employment or membership are entitled to continue the hospital, surgical, and major medical insurance coverage of that group contract for themselves and their eligible dependents, subject to all of the group contract's terms and conditions applicable to those forms of insurance and subject to the following conditions:

(a) Continuation shall be available only to an employee or member who has been continuously insured under the group contract (and for similar benefits under any group policy or contract which it replaced) during the entire 3-month period ending with such termination.

(b) Continuation shall not be available for a person who is or could be:

(i) covered by Medicare; or
(ii) covered by any other insured or uninsured arrangement which provides hospital, surgical, or medical coverage for individuals in a group.

(3) An employee or member who wishes continuation of coverage must request such continuation in writing within the 31-day period following the later of:

(a) the date of such termination, or
(b) the date the employee is given notice of the right of continuation by either his employer or the group contractholder, but the employee or member must elect continuation within 31 days of the date of termination.

(4) An employee or member electing continuation must pay to the group policyholder or his employer, on a monthly basis in advance, the amount of contribution required by the contractholder or employer, but not more than the group rate for the insurance being continued under the group policy on the due date of each payment. The employee's or member's written election of continuation, together with the first contribution required to establish contributions on a monthly basis in advance, must be given to the contractholder or employer within 31 days of the date the employee's or member's insurance would otherwise terminate.

(5) Continuation of insurance under the group policy for any person shall terminate when he fails to satisfy the conditions of subsection (2)(b) or, if earlier, at the first to occur of the following:

(a) the date 6 months after the date the employee's or member's insurance under the contract would otherwise have terminated because of termination of employment or membership;

(b) If the employee or member fails to make timely payment of a required contribution, the end of the period for which contributions were made; or

(c) the date on which the group contract is terminated or, in the case of an employee, the date his employer terminates participation under the group contract.

(6) If subsection (5)(c) applies and the coverage ceasing by reason of such termination is replaced by similar coverage under another group policy or contract, the following shall apply:

(a) The employee or member shall have the right to become covered under that other group policy or contract for the balance of the period that he would have remained covered under the prior group contract *in* accordance with subsection (5) had a termination described in subsection (5)(c) not occurred.

(b) The minimum level of benefits to be provided by the other group policy or contract shall be the applicable level of benefits of the prior group contract reduced by any benefits payable under that prior group contract.

(c) The prior group contract shall continue to provide benefits to the extent of its accrued liabilities and extensions of benefits as if the replacement had not occurred.

(7) A notification of the continuation privilege must be included in each certificate of coverage.

7. Page 8, line 13.

Following: line 12

Insert: "NEW SECTION. Section 12. Other health coverage -- limitations on issuance of converted policy.

The health service corporation is not required to issue a converted policy covering any person if such person is or could be covered by medicare. Furthermore, the health service corporation is not required to issue a converted policy covering any person if:

(1) (a) such person is covered for similar benefits by another individual policy;

(b) such person is or could be covered for similar benefits under any arrangement of coverage for individuals in a group, whether insured or uninsured; or

(c) similar benefits are provided for or available to such person, by reason of any state or federal law; and

(2) the benefits under sources of the kind referred to in subsection (1)(a) for such person or benefits provided or available under sources of the kind referred to in subsections (1)(b) and (1)(c) for such person, together with the converted policy's benefits would result in a duplication of benefits.

NEW SECTION. Section 13. Benefit levels -- converted policy need be no greater than group policy. A health service corporation is not required to issue a converted policy providing benefits in excess of the hospital, surgical, or major medical insurance under the group policy from which conversion is made.

NEW SECTION. Section 14. Pre-existing conditions -- total benefits payable first policy year. The converted contract may not exclude, as a pre-existing condition, any condition covered by the group contract.

However, the converted contract may provide for a reduction of its hospital, surgical, or medical benefits by the amount of any such benefits payable under the group policy after the individual's insurance terminates thereunder. The converted policy may also provide that during the first policy year, the benefits payable under the converted policy, together with the benefits payable under the group policy, may not exceed those that would have been payable had the individual's insurance under the group policy remained in force.

NEW SECTION. Section 15. Continued group insurance upon retirement -- conversion election. If coverage would be continued under the group contract on an employee or member following his retirement prior to the time he is or could be covered by medicare, the employee or member may elect, in lieu of such continuation of group insurance, to have the same conversion rights as would apply had that insurance terminated at retirement.

NEW SECTION. Section 16. Medicare eligibility -- benefit reduction. The converted policy may provide for reduction or termination of coverage of any person upon his eligibility for coverage under medicare or under any other state or federal law providing for benefits similar to those provided by the converted policy.

NEW SECTION. Section 17. Insured's family -- conversion entitlement. Subject to the conditions set forth in this section, the conversion privilege is also available:

(1) to the surviving spouse, if any, at the death of the employee or member, with respect to the spouse and such children whose coverage under the group policy terminates by reason of such death, otherwise to each surviving child whose coverage under the group policy terminates by reason of such death, or if the group policy provides for continuation of dependents coverage following the employee's or member's death, at the end of such continuation;

(2) to the spouse of the employee or member upon termination of coverage of the spouse, by reason of ceasing to be a qualified family member under the group policy, while the employee or member remains insured under the group policy, including such children whose coverage under the group policy terminates at the same time; or

(3) to a child solely with respect to himself upon termination of his coverage by reason of ceasing to be a qualified family member under the group policy, if a conversion privilege is not otherwise provided above with respect to such termination.

Renumber: all subsequent sections

8. Page 10, line 2 and 3
Following: "3" on line 2
Strike: ", " on line 2
and "4, AND 5" on line 3
Insert: "through 10"
9. Page 10, line 5.
Following: "3"
Strike: ", 4, AND 5"
Insert: "through 10"
10. Page 10, line 6.
Following: "Sections"
Strike: "5 AND 6"
Insert: "11 through 18"
11. Page 10, line 9.
Following: "sections"
Strike: "5 and 6"
Insert: "11 through 18"

-END-

Exhibit A

P. O. Box 1001
Polson, Montana 59860
February 9, 1981

Senator Jean Turnage
Montana State Senate
Helena, Montana 59601

Dear Senator Turnage:

This letter is being written to all members of the Senate Health Committee in followup of my testimony before the Committee in support of Senate Bill Number 129.

In the insurance opponent testimony, a point was made to the effect that everyone in a group is insured at the same premium. This is not true. I took a physical examination at the request of an insurance company, as have others who work with me. In my case, the bank pays a higher premium for my insurance because my blood pressure is higher than normal, although it is not so high as to require medication. The company is requiring a larger premium for me to offset "adverse selection".

I would like you to know that in both cases that I mentioned, the girl in her early 20's that has cancer and the young man in his mid 30's with a wife and two children who has multiple sclerosis and is paralyzed from the waist down, has vision problems, severe back pain, tires easily and has other problems, were both healthy as far as anyone knew when employed. Both signed up for group life and group health insurance as soon as they were eligible. These people did not seek coverage after they knew of their particular illnesses. If these people had been sick at the time the insurance was put into affect, then the insurance company's argument of "adverse selection" would be true. But, since they were healthy when coverage was purchased, there was no "adverse selection".

The insurance companies take premiums to cover people in a group when the people are healthy. Insurance companies should pay benefits if the people become sick and can no longer hold a job. The insurance companies are trying to confuse the issue of adverse selection to their benefit. If an employee voluntarily quits work and is healthy, this person will undoubtedly seek employment elsewhere and be covered by a new group plan or may convert to an individual policy. If an employee involuntarily quits work because of disease or an accident, then he will probably not seek other work and no new company will insure this person because of adverse selection. The only equitable solution is for the present insurer to provide coverage.

I would also like to address the issue of cost and benefits. Employers are interested in cost. Employers are told that the cost is less because they collect the premium for many employees and pay with one check which simplifies the insurance company's bookkeeping. Most employers are also interested in employee benefits as concerned people and because the employer is generally covered by the same plan as the employees. Employers, not being insurance experts, believe that the life insurance benefits will be paid to the beneficiary (spouse and children) whether the person dies immediately from an accident or after a prolonged illness.

Further, these employers are led to believe that hospital benefits, in our case at 80% coverage up to \$500,000 per person, will be paid if the employee becomes ill. The 20 hour work rules and language stating the person must be an employee, are neatly handled in this way:

An agent asks if an employee voluntarily terminates to take a job with a competitor or another employer, then you do not want to keep the person insured in the group? The employer agrees.

Involuntary termination, due to disease, is never mentioned. Most employers are not insurance experts and never think of this contingency. The insurance agent does not explain this when selling the policy, either.

To correct the deception in the 20 hours of work necessary to maintain coverage, for both the employer's and employee's clarification, the following language should be required to appear on the front page of all group policies, in bold type:

WARNING: Your life insurance coverage under this policy will terminate if you do not work 20 hours or more per week, due to cancer, heart disease, multiple sclerosis, any other disabling disease, accident or any reason what-so-ever.

WARNING: Your medical insurance coverage under this policy will terminate if you are unable to work 20 hours or more per week due to cancer, heart disease, multiple sclerosis, any other disabling disease, accident or any reason what-so-ever.

If Senate Bill 129 cannot be passed to provide equity in payout of benefit for a covered situation, then an amendment to another insurance bill should be passed to require this language on all group policies and employee certificates of insurance, requiring the 20 hour work rule to put employers and employees on notice of coverage deficiencies. People would then know not to depend totally on group coverage. This type of notice would be similar in purpose to the truth in lending laws that banks, finance companies, credit unions, and others must follow concerning interest rates and costs of credit. This solution is poor but if insurance companies insist on leaving the policies the same, then at least the people will understand the policies.

Several points should be maintained in Senate Bill 129 as it is amended:

1. People should be allowed to convert to term insurance. A person with a terminal illness does not need higher premiums that cash value insurance requires. The person would need protection, no cash value savings and as much money available for medical expenses and family living as possible. Term insurance will best fit this situation.
2. The insurance in force should remain the same.
3. If the employer wants to continue paying the premium, even though the insured employee can no longer work, the employer should be permitted to do so. Further, if the insured employee wishes to reimburse the employer for the premiums, this should be permitted. If the employer pays the premiums, whether reimbursed or not, the premium should be the same as when working full time.
4. If the employer does not wish to pay the premium for the insured employee, even if reimbursed, then the insured employee should be able to receive coverage by paying the premium directly to the insurance company. In this case the premium could be higher to offset the additional bookkeeping, but not significantly higher due to the insured employee's illness.
5. The insurance company should notify the insured employee of conversion rights because some businesses do fail (bankruptcy), some employers are careless and may forget to pay premiums, the employer may change insurance companies, and, in a few situations, the employer may not care about the employees welfare.

Insurance companies are more stable institutions and should give employees 31 days notice of cancellation of insurance and conversion privileges.

6. Some provision should also be made for the insured employee that has a disease but is still able to work. My brother-in-law has kidney failure and must spend six hours each Monday, Wednesday and Friday evening plugged into a dialysis machine. He has been on dialysis for four years. He has worked for approximately ten years for the same employer and is still working full time. He has group medical coverage. If his employer should terminate him for any reason he should have the right to convert to individual coverage. The insurance company accepted premiums for his coverage before he was sick.

A person in this situation could lose a job because of business failure, a new company president that changes company policy or liquidates a division of a company, or if in government, by a change in administration and government policy. This person could be out of a job through no personal fault and unable to obtain another job because of a disease. This individual should not be treated worse under group coverage because he was able to work while another person could not work.

7. The insured employee who is sick should not have insurance coverage terminated because the insurance company cancels the group insurance or the employer cancels the group insurance. A sick, insured employee needs this protection. A healthy employee can easily arrange other coverage.

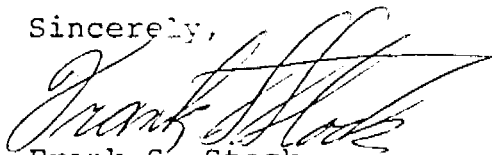
8. In serious situations, after social security disability benefits are paid for two years, the insured employee is eligible for medicare. Most policies will not pay when medicare will. This will limit health insurance company risk and should be kept in mind.

9. If the employees group coverage was extended to the members family then the members family should continue to be covered.

10. Not all group insurance is employer/employee. Unions sometimes have small life insurance policies for members. Credit Unions have life insurance for depositors. Some organizations have group life insurance, such as the American Legion, the American Automobile Association, or oil credit card holders. All group insurance should be covered, although employer/employee is most important.

While Senate Bill No. 129 may not be perfect we did try to take these points into account in drafting the bill. These points should be considered as the bill is amended. We want equity and fairness. If a company collects premiums, it should pay the benefits. If we cannot do this, then lets warn the people.

Sincerely,



Frank S. Stock

February 20 19 81

6. Page 2, line 14.

Following: ~~"termination"~~

Insert: "less the amount of any life insurance for which such person is insured under any other group policy within 31 days after such termination,"

7. Page 2, line 25.

Following: ~~"date"~~

Strike: the remainder of the line in its entirety

Insert: "form and amount of the individual policy, to the class of risk to which such person then belongs, and to his age attained on the effective date"

8. Page 3,

Strike: line 6 in its entirety

Insert: "during his employment notwithstanding"

9. Page 3, line 12.

Strike: ~~"and he elects"~~

Insert: "for"

10. Page 3, line 22.

Following: ~~"years"~~

Strike: ~~"1 year"~~

Insert: "3 years"

11. Page 3, line 25.

Strike: ~~"in the same amount of insurance and under"~~

Insert: "subject to"

12. Page 4, line 2.

Strike: ~~"shall"~~

Insert: "may"

13. Page 4, line 3.

Following: ~~"policy"~~

Strike: ~~"shall"~~

Insert: "may"

14. Page 4, line 4.

Following: ~~"of"~~

Insert: "not exceed the smaller of:"

15. Page 4, line 5.

Strike: ~~"be offered by the insurer in"~~

Insert: "(1)"

(continued)

Exhibit B

1811 East 6th Avenue
Helena, Montana 59601

February 7, 1981

Subcommittee on Senate Bill 129
Montana State Senate
Capitol Post Office
Helena, Montana 59601

Dear Senators:

My name is Bill Nelson and I am writing to ask your support in the passage of Senate Bill 129. On Friday, February 6, my wife attended the hearing on SBI29 and after discussing the results of that hearing with me, I decided to write this letter to you.

I have been employed by the State of Montana as a Vocational Counselor at the Job Service Program Office since May, 1970. For the past 10 years, 10 months, I have been insured by the State group insurance plan. During July, 1976 -- at the age of 33 -- I became ill and learned that I have chronic kidney disease and that the only way I can live is to be connected to an artificial kidney machine 5 to 6 hours, 3 times each week. Fortunately, I still feel well enough to work a full 40 hour workweek and have my dialysis treatments scheduled for Monday, Wednesday, and Friday evenings.

In November, 1972, the Social Security Act was amended to provide Medicare coverage for persons requiring maintenance dialysis. Medicare pays 80% of the allowable charges. For example, the dialysis unit at St. Peter's Hospital in Helena charges \$197 per dialysis treatment. Medicare pays 80% of only \$133. I dialyze 156 times each year and at the current rate it costs \$30,732 per year. Medicare pays \$16,598 leaving \$14,134, which in my case is covered by group health insurance. At the current rate my prescription drugs cost \$930 per year. Medicare does not cover any drugs, however, the insurance covers part of this expense. My doctor charges \$2,160 per year to take care of me. Medicare pays \$1,728 and insurance covers the remaining \$432. The hospital monthly laboratory fee, hospital pharmacy charge, chest x-rays, EKGs, the pathologist and radiologist fees are in addition to the charges I have mentioned. As you can see, even a person with Medicare benefits needs additional health insurance.

When I went to work for the State of Montana, I had just been discharged from the U. S. Air Force and was in excellent health. I contributed to the State group insurance plan for over 6 years before I ever filed a claim. Now that I have a chronic disease and require continuous medical care, I feel it is unfair that I would not be able to get health insurance benefits equal to the ones I now have with group coverage should I have to retire on disability in the future.

I am one of the few people in Montana who has a catastrophic illness and can continue to work full time and receive Medicare benefits. There is also the State Non-Vocational Rehabilitation Kidney Program available, should I need to use those funds. However, I am concerned about others who have life threatening diseases and do not have the benefits that we kidney patients have available to us.

From what I understand, the "insurance people" are concerned that this Senate Bill would raise the group rates by a large amount -- I am wondering if the number of employees retiring on disability is really that great!

Sincerely,



W. G. "Bill" Nelson

VISITORS' REGISTER

HOUSE

SB 129

COMMITTEE

BILL

Date

SPONSOR

NAME	RESIDENCE	REPRESENTING	SUP- PORT	OP- POSE
Bill Nelson	Helena SB-129	Self	X	
Bonnie Nelson	Helena SB-129	Self	X	
C. Nielson	"	Helena Co. Dist.		
Harry S. Nelson	"	H.B. 129 Dist. Helena	X	
C. P. Nielson	"	Helena	X	
Frank, Harold Nelson	SB-129	Helena Co. Dist.		
J. A. Thompson	Helena SB-129	Sponsor	X	
P. W. Nelson	Helena	State Personal		
E. J. Nelson	Helena	Mr. Nelson of	X	
John A. Nelson	Helena	Helena Co. Dist.		
W. E. Nelson	Helena	Helena		X
W. E. Nelson	Helena	Blue Field	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

3/25/81

Page 5

Jo Driscoll answered Rep. Schultz when he said he had a sheet showing in every state a Farm Bureau requires membership to buy their insurance, by saying the controversy in the senate was caused by the way the bill was originally written as it applied to farm mutuals. The company interested in this bill is not a farm mutual under our laws, and that is why it was extended to an organization. When it came out only the Farm Bureau was interested, so it was restricted to that organization.

Mr. Murphy said it didn't sound that way to him because farm bureau is not a descriptive term - it is the name of that one organization. Farmers Union offers insurance on homes and for fire to city people and do not require membership from those people because the by-laws of the organization exclusive of insurance company, limit membership to the people whose major income is directly from farming, so they have never tried to force compulsory membership on people who are not farmers, but felt when it was set up to serve farmers, and others who wish to avail themselves of this insurance should become members. Don't require them to do so and don't intend to.

Mrs. Driscoll said an insurance company with a very favorable rate based on their experience could say that they will not offer insurance to anyone other than to a certain group. She feels your product should be available to the public at large. You can do some underwriting. She does not approve of the philosophy that you are prohibited from buying insurance from a company because you do not wish to belong to that organization. The difference between a private group and the public is the requirement of paying membership dues. She said she didn't realize that 'farm bureau' did not cover the Farmers Union. She thought it would be a bad thing if this were opened up to all organizations.

Rep. Fabrega asked if the word 'bureau' were removed to say 'owned or controlled by a farm association organization' it would be acceptable. Mr. Brown said they were interested in getting this legislation passed and that would in essence put it almost the way it was. He would like to have it passed out the way it came in so that it wouldn't run the risk of being turned down in the senate. The code prohibits formation of fictitious groups.

Rep. Schultz moved SENATE BILL 242 BE CONCURRED IN. Motion carried with Reps. Kitselman, Metcalf, Harper, Kessler voting No. Reps. Ellison, Vincent, and Bergene were absent. 12 - 4, 3 absent.

SENATE BILL 129 -

Rep. Jensen moved that former action be reconsidered. Motion carried with Rep. Kitselman voting No. Reps. Ellison, Vincent, Bergene, Andreason were absent. Rep. Jensen explained he thought the bill should go through in its original form.

Rep. Jensen moved that the amendments be stricken from the bill. Rep. Meyer opposed the motion saying the amendments cover the situation at the present time. - there are several reasons for not being able to get other insurance, such as termination, pre-existing conditions, etc. Two problems can be taken care of in this bill.

3/25/81

Page 6

Mrs. Driscoll explained that SB 332 which took care of the conversion privilege, and SB 314 which added a conversion privilege to the individual health insurance, were to go to a subcommittee. Senator Turnage's bill approached the problem of taking care of persons not eligible for insurance because of not being able to work the required 20 hours a week for coverage. The subcommittee never materialized and she never had the opportunity to present her proposed amendments. Senator Turnage said he didn't have any problems with the amendments which allowed a person under a group policy to stay under that policy for six months while still working and convert to another form of insurance coverage. She feels these amendments are good consumer protection amendments. They do not take away from the Senator's bill.

Rep. Fabrega explained the Driscoll amendments will grant a person in a group to remain in there for six months and that pre-existing conditions will be insured. Jo Driscoll those leaving employment would have other coverage. She said by omitting her amendments, the Senator is restricting his. She suggested leaving his provisions alone, but take care of these things also. It would be very confusing to administer the bill the way it is written. The bill does something that hasn't been done in the past in allowing persons working one or two hours a week to be covered. Those employers can negotiate with the companies and they can have that provision. This isn't going to do what the intent of the bill seems to be, but they will administer it in this fashion and take care of it as best they can. It will require some immediate forms to be filed which will be very difficult. The effective date is July 1.

Rep. Fabrega said the committee has the choice of inserting whole new sections which would come in as whole new sections.

Rep. Jensen's motion to remove amendments failed 12-7 with Reps. Vincent, Ellison, Bergene, Ellerd absent; and Reps. Jensen and O'Hara voting Yes.

Rep. Meyer moved that the Driscoll amendments be pulled out and inserted as new sections. Motion was reworded to say that the amendments be pulled out. Motion carried unanimously.

Rep. Harper moved to reconsider action on Driscoll amendments. Unanimously carried.

Rep. Meyer moved to reinsert the amendments as separate sections that would allow a six months grace period and also that pre-existing conditions would be covered. The spirit of those amendments will be incorporated as separate sections. Motion carried with Rep. Jensen voting No; same Representatives absent.

Rep. Meyer then moved SENATE BILL 129 BE CONCURRED IN AS AMENDED. Motion carried with Rep. Jensen voting No; Reps. Vincent, Andreason, Ellison, Bergene absent. Motion carried 13-1, 5 absent. Rep. Ellerd was also absent.

Rep. Harper remarked the amendments stay in.

Meeting adjourned at 12:15 p.m.

AMENDMENTS TO SENATE BILL 129, third reading copy, including Alan Cain's amendment only - NOT Driscoll's.

1. Page 9, lines 13 and 14.

Following: "ENTITY" on line 13

Strike: remainder of line 13 and line 14 through "POLICIES"

2. Page 10, line 7.

Following: "(2)"

Strike: "Sections"

Insert: "Section"

Following: "6"

Strike: "AND 7 are"

Insert: "is"

3. Page 10, line 8.

Following: "as"

Insert: "an"

Following: "integral"

Strike: "parts"

Insert: "part"

Amendments to SB 129/third reading

1. Page 5, line 19.
Following: "termination."
Insert: "(1)"
2. Page 6, line 4.
Following: line 3
Insert: "(2) A group policy delivered or issued for delivery in this state which insures employees or members for hospital, surgical, or major medical insurance on an expense incurred or service basis, other than for specific diseases or for accidental injuries only, shall provide that employees or members whose insurance under the group policy would otherwise terminate because of termination of employment or membership are entitled to continue the hospital, surgical, and major medical insurance coverage of that group policy for themselves and their eligible dependents, subject to all of the group policy's terms and conditions applicable to those forms of insurance and subject to the following conditions:
(a) Continuation shall be available only to an employee or member who has been continuously insured under the group policy (and for similar benefits under any group policy which it replaced) during the entire 3-month period ending with such termination.
(b) Continuation shall not be available for a person who is or could be:
(i) covered by Medicare; or
(ii) covered by any other insured or uninsured arrangement which provides hospital, surgical, or medical coverage for individuals in a group.
(3) An employee or member who wishes continuation of coverage must request such continuation in writing within the 31-day period following the later of:
(a) the date of such termination, or
(b) the date the employee is given notice of the right of continuation by either his employer or the group policyholder, but the employee or member must elect continuation within 31 days of the date of termination.
(4) An employee or member electing continuation must pay to the group policyholder or his employer, on a monthly basis in advance, the amount of contribution

required by the policyholder or employer, but not more than the group rate for the insurance being continued under the group policy on the due date of each payment. The employee's or member's written election of continuation, together with the first contribution required to establish contributions on a monthly basis in advance, must be given to the policyholder or employer within 31 days of the date the employee's or member's insurance would otherwise terminate.

(5) Continuation of insurance under the group policy for any person shall terminate when he fails to satisfy the conditions of subsection (2)(b) or, if earlier, at the first to occur of the following:

(a) the date 6 months after the date the employee's or member's insurance under the policy would otherwise have terminated because of termination of employment or membership;

(b) If the employee or member fails to make timely payment of a required contribution, the end of the period for which contributions were made; or

(c) the date on which the group policy is terminated or, in the case of an employee, the date his employer terminates participation under the group policy.

(6) If subsection (5)(c) applies and the coverage ceasing by reason of such termination is replaced by similar coverage under another group policy, the following shall apply:

(a) The employee or member shall have the right to become covered under that other group policy for the balance of the period that he would have remained covered under the prior group policy in accordance with subsection (5) had a termination described in subsection (5)(c) not occurred.

(b) The minimum level of benefits to be provided by the other group policy shall be the applicable level of benefits of the prior group policy reduced by any benefits payable under that prior group policy.

(c) The prior group policy shall continue to provide benefits to the extent of its accrued liabilities and extensions of benefits as if the replacement had not occurred.

(7) A notification of the continuation privilege must be included in each certificate of coverage."

3. Page 8, line 2

Following: line 1

Insert: "NEW SECTION. Section 5: Other health coverage -- limitations on issuance of converted policy. (1)

The insurer is not required to issue a converted policy covering any person if such person is or could be covered by medicare. Furthermore, the insurer is not required to issue a converted policy covering any person if:

(1) (a) such person is covered for similar benefits by another individual policy;

(b) such person is or could be covered for similar benefits under any arrangement of coverage for individuals in a group, whether insured or uninsured; or

(c) similar benefits are provided for or available to such person, by reason of any state or federal law; and

(2) the benefits under sources of the kind referred to in subsection (1)(a) for such person or benefits provided or available under sources of the kind referred to in subsections (1)(b) and (1)(c) for such person, together with the converted policy's benefits would result in a duplication of benefits.

NEW SECTION. Section 6. Benefit levels -- converted policy need be no greater than group policy. An insurer is not required to issue a converted policy providing benefits in excess of the hospital, surgical, or major medical insurance under the group policy from which conversion is made.

NEW SECTION. Section 7. Pre-existing conditions -- total benefits payable first policy year. The converted policy may not exclude, as a pre-existing condition, any condition covered by the group policy.

However, the converted policy may provide for a reduction of its hospital, surgical, or medical benefits by the amount of any such benefits payable under the group policy after the individual's insurance terminates thereunder. The converted policy may also provide that during the first policy year, the benefits payable under the converted policy, together with the benefits payable under the group policy, may not exceed those that would have been payable had the individual's insurance under the group policy remained in force.

NEW SECTION. Section 8. Continued group insurance upon retirement -- conversion election. If coverage would be continued under the group policy on an employee or member following his retirement prior to the time he is or could be covered by medicare, the employee or member may elect, in lieu of such continuation of group insurance, to have the same conversion rights as would apply had that insurance terminated at retirement.

NEW SECTION. Section 9. Medicare eligibility -- benefit reduction. The converted policy may provide for reduction or termination of coverage of any person upon his eligibility for coverage under medicare or under any other state or federal law providing for benefits similar to those provided by the converted policy.

NEW SECTION. Section 10. Insured's family -- conversion entitlement. Subject to the conditions set forth in this section, the conversion privilege is also

available:

(1) to the surviving spouse, if any, at the death of the employee or member, with respect to the spouse and such children whose coverage under the group policy terminates by reason of such death, otherwise to each surviving child whose coverage under the group policy terminates by reason of such death, or if the group policy provides for continuation of dependents coverage following the employee's or member's death, at the end of such continuation;

(2) to the spouse of the employee or member upon termination of coverage of the spouse, by reason of ceasing to be a qualified family member under the group policy, while the employee or member remains insured under the group policy, including such children whose coverage under the group policy terminates at the same time; or

(3) to a child solely with respect to himself upon termination of his coverage by reason of ceasing to be a qualified family member under the group policy, if a conversion privilege is not otherwise provided above with respect to such termination.

4. Page 8, line 2.

Strike: "Section 5"

Insert: "Section 11"

5. Page 8, line 3.

Following: "termination."

Insert: "(1)"

6. Page 8, line 12.

Following: line 12

Insert: "(2) A group hospital or medical service plan contract delivered or issued for delivery in this state which insures employees or members for hospital, surgical, or major medical insurance on an expense incurred or service basis, other than for specific diseases or for accidental injuries only, shall provide that employees or members whose insurance under the group contract would otherwise terminate because of termination of employment or membership are entitled to continue the hospital, surgical, and major medical insurance coverage of that group contract for themselves and their eligible dependents, subject to all of the group contract's terms and conditions applicable to those forms of insurance and subject to the following conditions:

(a) Continuation shall be available only to an employee or member who has been continuously insured under the group contract (and for similar benefits under any group policy or contract which it replaced) during the entire 3-month period ending with such termination.

(b) Continuation shall not be available for a person who is or could be:

(i) covered by Medicare; or
(ii) covered by any other insured or uninsured arrangement which provides hospital, surgical, or medical coverage for individuals in a group.

(3) An employee or member who wishes continuation of coverage must request such continuation in writing within the 31-day period following the later of:

(a) the date of such termination, or
(b) the date the employee is given notice of the right of continuation by either his employer or the group contractholder, but the employee or member must elect continuation within 31 days of the date of termination.

(4) An employee or member electing continuation must pay to the group policyholder or his employer, on a monthly basis in advance, the amount of contribution required by the contractholder or employer, but not more than the group rate for the insurance being continued under the group policy on the due date of each payment. The employee's or member's written election of continuation, together with the first contribution required to establish contributions on a monthly basis in advance, must be given to the contractholder or employer within 31 days of the date the employee's or member's insurance would otherwise terminate.

(5) Continuation of insurance under the group policy for any person shall terminate when he fails to satisfy the conditions of subsection (2)(b) or, if earlier, at the first to occur of the following:

(a) the date 6 months after the date the employee's or member's insurance under the contract would otherwise have terminated because of termination of employment or membership;

(b) If the employee or member fails to make timely payment of a required contribution, the end of the period for which contributions were made; or

(c) the date on which the group contract is terminated or, in the case of an employee, the date his employer terminates participation under the group contract.

(6) If subsection (5)(c) applies and the coverage ceasing by reason of such termination is replaced by similar coverage under another group policy or contract, the following shall apply:

(a) The employee or member shall have the right to become covered under that other group policy or contract for the balance of the period that he would have remained covered under the prior group contract *in* accordance with subsection (5) had a termination described in subsection (5)(c) not occurred.

(b) The minimum level of benefits to be provided by the other group policy or contract shall be the applicable level of benefits of the prior group contract reduced by any benefits payable under that prior group contract.

(c) The prior group contract shall continue to provide benefits to the extent of its accrued liabilities and extensions of benefits as if the replacement had not occurred.

(7) A notification of the continuation privilege must be included in each certificate of coverage.

7. Page 8, line 13.

Following: line 12

Insert: "NEW SECTION. Section 12. Other health coverage -- limitations on issuance of converted policy.

The health service corporation is not required to issue a converted policy covering any person if such person is or could be covered by medicare. Furthermore, the health service corporation is not required to issue a converted policy covering any person if:

(1) (a) such person is covered for similar benefits by another individual policy;

(b) such person is or could be covered for similar benefits under any arrangement of coverage for individuals in a group, whether insured or uninsured; or

(c) similar benefits are provided for or available to such person, by reason of any state or federal law; and

(2) the benefits under sources of the kind referred to in subsection (1)(a) for such person or benefits provided or available under sources of the kind referred to in subsections (1)(b) and (1)(c) for such person, together with the converted policy's benefits would result in a duplication of benefits.

NEW SECTION. Section 13. Benefit levels -- converted policy need be no greater than group policy. A health service corporation is not required to issue a converted policy providing benefits in excess of the hospital, surgical, or major medical insurance under the group policy from which conversion is made.

NEW SECTION. Section 14. Pre-existing conditions -- total benefits payable first policy year. The converted contract may not exclude, as a pre-existing condition, any condition covered by the group contract.

However, the converted contract may provide for a reduction of its hospital, surgical, or medical benefits by the amount of any such benefits payable under the group policy after the individual's insurance terminates thereunder. The converted policy may also provide that during the first policy year, the benefits payable under the converted policy, together with the benefits payable under the group policy, may not exceed those that would have been payable had the individual's insurance under the group policy remained in force.

NEW SECTION. Section 15. Continued group insurance upon retirement -- conversion election. If coverage would be continued under the group contract on an employee or member following his retirement prior to the time he is or could be covered by medicare, the employee or member may elect, in lieu of such continuation of group insurance, to have the same conversion rights as would apply had that insurance terminated at retirement.

NEW SECTION. Section 16. Medicare eligibility -- benefit reduction. The converted policy may provide for reduction or termination of coverage of any person upon his eligibility for coverage under medicare or under any other state or federal law providing for benefits similar to those provided by the converted policy.

NEW SECTION. Section 17. Insured's family -- conversion entitlement. Subject to the conditions set forth in this section, the conversion privilege is also available:

(1) to the surviving spouse, if any, at the death of the employee or member, with respect to the spouse and such children whose coverage under the group policy terminates by reason of such death, otherwise to each surviving child whose coverage under the group policy terminates by reason of such death, or if the group policy provides for continuation of dependents coverage following the employee's or member's death, at the end of such continuation;

(2) to the spouse of the employee or member upon termination of coverage of the spouse, by reason of ceasing to be a qualified family member under the group policy, while the employee or member remains insured under the group policy, including such children whose coverage under the group policy terminates at the same time; or

(3) to a child solely with respect to himself upon termination of his coverage by reason of ceasing to be a qualified family member under the group policy, if a conversion privilege is not otherwise provided above with respect to such termination.

Renumber: all subsequent sections

8. Page 10, line 2 and 3
Following: "3" on line 2
Strike: ", " on line 2
and "4, AND 5" on line 3
Insert: "through 10"
9. Page 10, line 5.
Following: "3"
Strike: ", 4, AND 5"
Insert: "through 10"
10. Page 10, line 6.
Following: "Sections"
Strike: "5 AND 6"
Insert: "11 through 18"
11. Page 10, line 9.
Following: "sections"
Strike: "5 and 6"
Insert: "11 through 18"

-END-

1 SENATE BILL NO. 129
2 INTRODUCED BY TURNAGE, NORMAN
3
4 A BILL FOR AN ACT ENTITLED: "AN ACT REGULATING CONVERSIONS
5 OF GROUP LIFE INSURANCE AND GROUP DISABILITY INSURANCE AND
6 PROVIDING FOR CONTINUATION OF GROUP COVERAGE UNDER CERTAIN
7 CIRCUMSTANCES; AMENDING SECTIONS 33-20-1209 AND 33-20-1210,
8 MCA; AND PROVIDING AN EFFECTIVE DATE."
9
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
11 Section 1. Section 33-20-1209, MCA, is amended to
12 read:
13 "33-20-1209. Conversion on termination of eligibility.
14 (1) The group life insurance policy shall contain a
15 provision that if the insurance or any portion of it on a
16 person covered under the policy ceases because of
17 termination of employment or of membership in the class or
18 classes eligible for coverage under the policy, such person
19 shall be entitled to have issued to him by the insurer,
20 without evidence of insurability, an individual policy of
21 life insurance ~~without--disability--or--other--supplementary~~
22 benefits, provided application for the individual policy
23 shall be made and the first premium paid tendered PAID to
24 the insurer within 31 days after ~~such-termination~~ written
25 notice SUCH TERMINATION by-the-insurer-to-the-insured-of-the

*Convert him
to a life
policy!*

1 ~~insured's right-of-conversion--and--pending--termination--of~~
2 ~~coverage~~, and provided further that:
3 ~~(1)(a)~~ the individual policy shall, at the option of
4 such person, be on any one of the forms, except including
5 but not limited to term insurance, IF THE GROUP POLICY SO
6 PROVIDES, then customarily issued by the insurer ~~at-the--age~~
7 ~~and-for-the-amount-applied-for~~ AT THE AGE AND FOR THE AMOUNT
8 APPLIED FOR and shall offer benefits at least equal to those
9 under the group coverage;
10 ~~(2)(b)~~ the individual policy shall, at the option of
11 the insured, be in an amount not in excess of the amount of
12 life insurance which ceases because of such termination,
13 ~~less-the-amount-of-any-life-insurance-for-which-such--person~~
14 ~~is--or--becomes-eligible-under-any-other-group-policy-within~~
15 ~~31-days-after-such-termination~~ LESS THE AMOUNT OF ANY LIFE
16 INSURANCE FOR WHICH SUCH PERSON IS INSURED UNDER ANY OTHER
17 GROUP POLICY WITHIN 31 DAYS AFTER SUCH TERMINATION, provided
18 that any amount of insurance which shall have matured on or
19 before the date of such termination as an endowment payable
20 to the person insured, whether in one sum or in installments
21 or in the form of an annuity, shall not, for the purposes of
22 this provision, be included in the amount which is
23 considered to cease because of such termination; and
24 ~~(3)(c)~~ the premium on the individual policy shall be
25 at the insurer's then customary rate applicable to the form

1 ~~and amount of the individual policy, to the class of risk to~~
 2 ~~which such person then belongs, and to his age attained on~~
 3 ~~the effective date other members of the group and the amount~~
 4 ~~FORM AND AMOUNT OF THE INDIVIDUAL POLICY, TO THE CLASS OF~~
 5 ~~RISK TO WHICH SUCH PERSON THEN BELONGS, AND TO HIS AGE~~
 6 ~~ATTAINED ON THE EFFECTIVE DATE~~ of the individual policy.

7 {2} With the consent of the employer, a person covered
 8 under a group life insurance policy issued to an employer or
 9 to the trustees of a fund established by an employer under
 10 33-20-1101 may continue his coverage under the group policy
 11 after termination of his qualifying employment or after
 12 DURING HIS EMPLOYMENT NOTWITHSTANDING reduction of his
 13 regular work schedule to less than the minimum number of
 14 hours required for eligibility for membership. The premium
 15 charged for the continued coverage shall be equal to that
 16 charged other members of the group. Such person's coverage
 17 under the group will cease if he subsequently becomes
 18 eligible and he elects FOR coverage under another group
 19 policy because of employment elsewhere."

20 Section 2. Section 33-20-1210, MCA, is amended to
 21 read:

22 "33-20-1210. Conversion on termination of policy. The
 23 group life insurance policy shall contain a provision that
 24 if the group policy terminates or is amended so as to
 25 terminate the insurance of any class of insured persons,

1 every person insured thereunder at the date of such
 2 termination whose insurance terminates and who has been so
 3 insured for at least 5-years ~~1-year~~ 3 YEARS prior to such
 4 termination date shall be entitled to have issued to him by
 5 the insurer an individual policy of life insurance, subject
 6 to ~~in the same amount of insurance and under~~ SUBJECT TO the
 7 same conditions and limitations as are provided by
 8 33-20-1209, except that the group policy may ~~shall~~ MAY
 9 provide that the amount of such individual policy shall MAY
 10 ~~not exceed the smaller of:~~ NOT EXCEED THE SMALLER OF:

11 ~~{1} be offered by the insurer in~~ {1} be offered by the insurer in the amount of the
 12 person's life insurance protection ceasing because of the
 13 termination or amendment of the group policy, ~~less the~~
 14 ~~amount of any life insurance for which he is or becomes~~
 15 ~~eligible under any group policy issued or reinstated by the~~
 16 ~~same or another insurer within 31 days after such~~
 17 ~~termination and, LESS THE AMOUNT OF ANY LIFE INSURANCE FOR~~
 18 ~~WHICH HE IS OR BECOMES ELIGIBLE UNDER ANY GROUP POLICY~~
 19 ~~ISSUED OR REINSTATED BY THE SAME OR ANOTHER INSURER WITHIN~~
 20 31 DAYS AFTER SUCH TERMINATION; AND

21 ~~{2} \$2,000 \$10,000."~~ {2} \$2,000 \$10,000."

22 ~~NEW SECTION--Section 3--Conversion on disbanding of~~
 23 ~~groups--The group disability insurance policy shall contain~~
 24 ~~a provision that if the coverage under the policy ceases~~
 25 ~~because of disbanding of the group, each person insured~~

because--of-his-employment-in-the-group-shall-be-entitled-to have-issued-to-him--by--the--insurer--without--evidence--of insurability--an--individual-policy-of-disability-insurance covering--himself--and--his--dependents--or--family--members covered-under-the-group--provided:

{1}--application--for-the-individual-policy-is-made-and the-first-premium-tendered-to-the--insurer--within--31--days after--written--notice--by-the-insurer-to-the-insured-of-the insured's-right-to-conversion-of--coverage--and--of--pending termination--and

{2}--the--individual--policy--shall--offer--benefits-at least-equal-to-those-under-the-group-coverage-terminated--by the-disbanding--and

{3}--the--premium--on-the-individual-policy-shall-be-at the-insurer's-then-customary-rates-applicable-to-the-group's existing-amount-of-individual-policy-and-the-class--of--risk of-the-person-insured-under-the-group;

NEW SECTION. Section 3. Continuing group coverage after termination. A person covered by a group disability insurance policy issued OR RENEWED AFTER OCTOBER 1, 1981 under 33-22-501(1) may, FOR A PERIOD OF 1 YEAR, with the consent of the employer or the trustees, continue coverage under group disability policy after--terminating--his qualifying--employment--or after reducing his regular work schedule to less than the minimum time required to qualify

for membership in the group, and the premium charged him shall be equal to that charged other members of the group of the same risk class.

NEW SECTION. Section 5. Conversion on termination of group--contract--{1}--A--group-hospital-or-medical-service plan-contract-in-effect--by--a--health--service--corporation after--July--1,--1981--shall-contain-a-provision-that-if-the coverage-under-the-contract-ceases--because-of-disbanding--of the--group--each-person-covered--because-of-his-employment-in the-group-shall-be-entitled-to-have-issued--to--him--by--the health--service--corporation--without--evidence--of insurability--an-individual-hospital-or-medical-service-plan contract-covering--himself--and--his--dependents--or--family members--covered--under--the-group--provided-application-for the-individual--contract--is--made--and--the--first--premium tendered--to--the--health-service-corporation-within-31-days after-written-notice-by-the-insurer-to-the--insured--of--the insured's-right-to-conversion;

{2}--the--individual--contract--shall--provide-benefits equal-to-those-under-the-group-contract--terminated--by--the disbanding;

{3}--the-premium-on-the-individual-contract-shall-be-at the--insurer's--then--customary-rates-applicable-to-the-form and-the-amount-of-the-individual-contract-and-the--class--of risk--of--the--person--covered--but--in-no-case-more-than-5%

~~greater-than-the-group-premium-charged-for-like-benefits
under-the-group-contracts~~

NEW SECTION. SECTION 4. CONVERSION ON TERMINATION OF
ELIGIBILITY. (1) A GROUP DISABILITY INSURANCE POLICY ISSUED
OR RENEWED AFTER OCTOBER 1, 1981, SHALL CONTAIN A PROVISION
THAT IF THE INSURANCE OR ANY PORTION OF IT ON A PERSON, HIS
DEPENDENTS, OR FAMILY MEMBERS COVERED UNDER THE POLICY
CEASES BECAUSE OF TERMINATION OF HIS EMPLOYMENT OR OF HIS
MEMBERSHIP IN THE CLASS OR CLASSES ELIGIBLE FOR COVERAGE
UNDER THE POLICY, OR AS A RESULT OF HIS EMPLOYER
DISCONTINUING HIS BUSINESS, SUCH PERSON SHALL, PROVIDED HE
HAD BEEN INSURED FOR A PERIOD OF 3 MONTHS, BE ENTITLED TO
HAVE ISSUED TO HIM BY THE INSURER, WITHOUT EVIDENCE OF
INSURABILITY, AN INDIVIDUAL POLICY OF HOSPITAL OR MEDICAL
SERVICE INSURANCE ON HIMSELF, HIS DEPENDENTS, OR FAMILY
MEMBERS, PROVIDED APPLICATION FOR THE INDIVIDUAL POLICY
SHALL BE MADE AND THE FIRST PREMIUM TENDERED TO THE INSURER
WITHIN 31 DAYS AFTER THE TERMINATION OF GROUP COVERAGE.

(2) THE INDIVIDUAL POLICY, AT THE OPTION OF THE
INSURER INSURED, SHALL BE ON ANY OF THE FORMS THEN
CUSTOMARILY ISSUED BY THE INSURER TO INDIVIDUAL
POLICYHOLDERS WITH THE EXCEPTION OF THOSE POLICIES WHOSE
ELIGIBILITY IS DETERMINED BY AFFILIATION OTHER THAN BY
EMPLOYMENT WITH A COMMON ENTITY.

(3) THE PREMIUM ON THE INDIVIDUAL POLICY SHALL BE AT

THE INSURER'S THEN CUSTOMARY RATE APPLICABLE TO THE COVERAGE
OF THE INDIVIDUAL POLICY.

NEW SECTION. Section 5. Continuing group coverage
after termination. A person covered by a group hospital or
medical service plan contract, issued OR RENEWED by a health
service corporation after July OCTOBER 1, 1981, may, FOR A
PERIOD OF 1 YEAR with the consent of the employer or the
trustees, continue coverage under the group contract after
~~terminating-his-qualifying-employment-or~~ after reducing his
regular work schedule to less than the minimum time required
to qualify for membership in the group, and the premium
charged him shall be equal to that charged the members of
the group.

NEW SECTION. Section 6. Conversion on termination of
eligibility. The group hospital or medical service plan
contract ~~in-effect~~ ISSUED OR RENEWED by a health service
corporation after July OCTOBER 1, 1981, shall contain a
provision that if the insurance or any portion of it on a
person, his dependents, or family members covered under the
policy ceases because of termination of his employment or of
his membership in the class or classes eligible for coverage
under the policy OR AS A RESULT OF AN EMPLOYER DISCONTINUING
HIS BUSINESS, such person shall, PROVIDED HE HAS BEEN
INSURED FOR A PERIOD OF 3 MONTHS, be entitled to have issued
to him by the insurer, without evidence of insurability, an

individual policy of hospital or medical service insurance on himself, his dependents, or family members, provided application for the individual policy shall be made and the first premium tendered to the insurer within 31 days after written notice by the insurer to the insured of the insured's right of conversion and pending the termination of group coverage.

(1) The individual policy shall, at the option of such person THE INSURED, be on any of the forms then customarily issued by the insurer TO INDIVIDUAL POLICYHOLDERS WITH THE EXCEPTION OF THOSE WHOSE ELIGIBILITY IS DETERMINED BY THEIR AFFILIATION OTHER THAN BY EMPLOYMENT WITH A PARTICULAR ENTITY, (and shall offer benefits at least equal to those under the group coverage SUCH INDIVIDUAL POLICIES.)

~~(2) The individual policy shall, at the option of the insured, be in an amount not in excess of the amount of insurance which ceases because of such termination.~~

~~(2)~~ (2) The premium on the individual policy shall be at the insurer's then customary rate applicable to the other members of the group and the coverage of the individual policy.

Section 7. Severability. If a part of this act is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of this act is invalid in one or more of its applications, the part remains in effect

in all valid applications that are severable from the invalid applications.

Section 8. Codification instruction. (1) Sections 3 and 4 AND 5 are intended to be codified as integral parts of Title 33, chapter 22, part 5, and provisions of Title 33, chapter 22, apply to sections 3 and 4 AND 2.

(2) Sections 5 through 6 AND 7 are intended to be codified as integral parts of Title 33, chapter 30, part 10, and provisions of Title ~~33, chapter 22~~ and of Title 33, chapter 30, apply to sections 5 through 6 AND 7.

Section 9. Effective date. This act is effective July 1, 1981.

-End-